

**LEGAL SERVICES CORPORATION**

**BOARD OF DIRECTORS**

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**SEMIANNUAL REPORT TO THE CONGRESS**

**FOR THE PERIOD**

**APRIL 1, 2004 – SEPTEMBER 30, 2004**

**NOVEMBER 30, 2004**

## FOREWORD

We are pleased to transmit the Semiannual Report of the Legal Services Corporation (“LSC”) Board of Directors (“Board”), providing comments on the Semiannual Report of LSC’s Office of Inspector General (“OIG”) for the six-month period of April 1, 2004, through September 30, 2004, and providing further explanation of LSC’s activities during the reporting period.

LSC’s Board recognizes the value of the Inspector General function and remains committed to working with the OIG to achieve our goal of providing high quality legal assistance to the poor of our nation.

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Frank B. Strickland, Chairman  
Legal Services Corporation  
November 30, 2004

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## MESSAGE OF THE BOARD OF DIRECTORS

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The Board is pleased to have the opportunity to address the Congress and share its perspective on the current state of federally-funded civil legal services for low-income Americans. LSC is in the fifth year of implementation of its Strategic Directions 2000-2005, the principal goals of which are to increase access to justice and improve the quality of civil legal assistance on behalf of the needy and less fortunate. While LSC and its grantees<sup>1</sup> continue their efforts to maximize the cost-effective use of limited federal resources and to leverage those resources to raise funds from state and local governments, foundations and private sources, the significant unmet need for civil legal assistance in the United States reminds us starkly that we are far from achieving our national commitment of "equal justice for all."

During the reporting period, LSC continued work on important initiatives to support its grantees and to improve the quality and accessibility of services for the indigent. These efforts include the continued use of technology to promote and facilitate access to legal services, particularly through self help efforts. LSC has provided a range of technological assistance to programs during the reporting period, including assistance to grantees in evaluating the effectiveness of technology projects such as statewide websites, and support in the form of 'circuit riders' who assist with technology infrastructure, intake and self help projects. Among LSC's most recently-funded technology projects are those that assist *pro se* litigants in Idaho and Massachusetts to complete their own pleadings with the assistance of computerized work stations at court houses.

Some of LSC's additional efforts during the reporting period include continued program visits to assess innovative procedures that may serve as models for other programs; continued support to help grantees in each state develop comprehensive, integrated legal services delivery systems; efforts to promote intake systems that maximize client access to services while effectively using the time and resources of attorneys; the sharing of information through an LSC Resource Library to promote the use of innovative ideas and best practices among grantees; continued work to promote diversity among legal services providers; and efforts to measure all assistance provided by LSC grantees, as well as the outcomes associated with grantees' work on behalf of clients. LSC also continues to monitor its grantees for compliance with federal law and LSC regulations, working closely with the Office of Inspector General. In addition, LSC is planning to attempt to address the large student debt loads that frequently dissuade law graduates from pursuing careers in legal services programs, and to cultivate, train and encourage a diverse core of future legal services leaders.

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<sup>1</sup> 'Programs', 'recipients', and 'grantees' are used interchangeably in this report to refer to recipients of LSC funding.

## BACKGROUND

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### **The Legal Services Corporation**

The Legal Services Corporation is a private, non-profit corporation established in the District of Columbia by the Legal Services Corporation Act of 1974, as amended (“the LSC Act”),<sup>2</sup> to provide financial support for legal assistance in civil proceedings to persons unable to afford legal services. LSC is governed by an eleven-member, bi-partisan Board of Directors appointed by the President of the United States with the advice and consent of the Senate. The Board appoints LSC’s President, who serves as LSC’s chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 (“the 1978 Act”) required LSC to establish an Office of Inspector General (“OIG”) and extended specific provisions of the 1978 Act to LSC. Accordingly, such an office was established by and for LSC. The Inspector General is appointed by, reports to, and serves under the general supervision of, LSC’s Board of Directors.

### **Funding and Grant-Making Activities**

LSC provides funding to civil legal services programs serving indigent persons throughout the fifty states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Micronesia and American Samoa. To carry out the purposes of the LSC Act, LSC received an appropriation of \$338,848,000 for Fiscal Year (“FY”) 2004. (This figure was reduced to \$335,282,000 after a government-wide rescission of 0.59%, and a 0.465% rescission for all Commerce, Justice, State programs were enacted.) For FY 2005, LSC submitted a budget request for \$352,400,000. The four percent (4%) increase would partially address the increased poverty population in LSC service areas. From 1990 to 2000, the number of people living in poverty increased by 5.74%. However, LSC’s appropriations have not kept pace with this increase in eligible clients.

The Commerce, Justice, State, the Judiciary and Related Agencies Appropriations bill passed by the House of Representatives provides LSC funding in the amount of \$335,282,000, a figure equal to LSC’s post-rescission funding for 2004. The full Senate has not acted on LSC’s Appropriations measure, but the Senate Appropriations Committee approved legislation providing LSC with \$335,000,000. LSC is currently operating under a Continuing Resolution, which funds the Corporation at 2004 levels. It is unclear when a Conference Committee will meet to finalize its recommendations for funding for FY 2005.

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<sup>2</sup> 42 U.S.C. §§ 2996-2996l.

## MANAGEMENT INITIATIVES

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During this reporting period, LSC continued its efforts to improve the efficiency of its competitive grant award system and the effectiveness of the delivery of legal assistance to eligible clients. LSC continued to demonstrate its ability to ensure both compliance with program rules and regulations, and the maintenance of high quality legal assistance to eligible clients.

### Competition

LSC received and evaluated seventy-three qualified grant applications for ninety-three service areas in twenty-four states and the Commonwealth of Puerto Rico for calendar year 2005 grants.<sup>3</sup> Of the seventy-three grant applications received, there were two competing grant applications for service areas MI-14 in Michigan and MA-12 in Massachusetts.

Grant applications are evaluated by LSC's Office of Program Performance ("OPP") based on the American Bar Association Standards for Providers of Civil Legal Services to the Poor, LSC's Performance Criteria, and LSC regulations. In instances where there is more than one applicant for the same service area, a review panel is convened pursuant to 45 CFR §1634.8(a)(5) to assess the capacities of the competing applicants and to provide a funding recommendation. In these circumstances, recommendations from both staff and the review panel are presented to the LSC President.

Service area MI-14 is a recently reconfigured service area which comprises a fourteen county area in east-central Michigan. LSC received applications for MI-14 from Legal Services of Eastern Michigan ("LSEM"), a current grantee, and Lakeshore Legal Aid ("LLA"), a previous grantee. Prior to March 2003, both applicants were funded by LSC to provide legal services in the counties that now comprise the reconfigured service area MI-14.

OPP staff have reviewed and evaluated the competing grant applications for MI-14; conducted an on-site assessment of both applicants; and prepared a funding recommendation. A review panel was also convened in October, just beyond the reporting period, to conduct an evaluation and prepare a recommendation. The funding recommendations from staff and the review panel will be presented to LSC's President during November 2004.

LSC received qualified grant applications for service area MA-12 from Legal Services for Cape, Plymouth and Islands, and from New Center for Legal Advocacy.

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<sup>3</sup> Some applications were for more than one service area, e.g., for a Basic Field-Native American area, as well as for a Basic Field-General Area.

These are the LSC grantees currently funded to provide legal services in the counties that will comprise service area MA-12 effective January 1, 2005. LSC will follow the same evaluation procedures for these applications that it followed for the competition for service area MI-14, identified above.

The Request for Proposals (“RFP”) for calendar year 2005 grants emphasizes program quality, legal work oversight, outcomes for clients, strategic planning/needs assessment, and the need to address the legal problems of all clients, including those with special access issues, those who are geographically remote, and those with limited English proficiency.

In addition to completing a thorough and objective evaluation of the grant applications, LSC provides each successful grant applicant with a “feedback letter,” which addresses the potential strengths and weaknesses of the proposed delivery strategy based on the grant application.

The competitive grants process has evolved into a useful tool for capacity building, for identifying areas for further improvement, and for networking legal services programs. Three of LSC’s foremost objectives in the competitive grants process are 1) to collect information necessary to determine the capacities of individual legal services programs; 2) to remain informed about the quality of the legal services delivery system throughout the country; and 3) to identify best practices which can be used to improve the provision of services by other grantees. LSC’s fully automated grants system facilitates the analysis of data received; feedback to applicants on strengths and challenges found in their applications; and the identification of model practices that can be shared and replicated as appropriate. In this way, the LSC competitive grants process remains responsive to the Congressional requirement to award grants through a system of competition, and to assure the most efficient and effective delivery of services to eligible, low-income people.

An overview of the competitive grants process, the 2005 RFP, application instructions, and resource materials are available at [www.ain.lsc.gov](http://www.ain.lsc.gov).

## **Program Visits**

During the reporting period, LSC continued visiting programs to assess quality; provide technical assistance; review progress in achieving a comprehensive delivery system in recently reconfigured service areas; address problems; evaluate innovative procedures which may serve as models for other programs; and communicate LSC’s expectations directly to grantees. These visits expand LSC’s understanding of programs’ activities otherwise gleaned from competition applications, grant activity reports, and anecdotal information. They also enable LSC to help programs enhance the quality of services delivered to clients and promote efficiency and effectiveness in delivery systems.

LSC conscientiously follows up on program visits that it has made in the past. Typically, LSC staff call programs to check on progress with planned changes.

Additionally, after program visits, LSC often provides programs with innovative practice materials to assist in improving the effectiveness of their delivery systems.

From April 1, 2004, through September 30, 2004, OPP and related staff and consultants visited the following seventeen programs: Neighborhood Legal Services (D.C.); Legal Aid of North Carolina; Legal Aid of West Virginia; Legal Aid Society (KY); Wisconsin Judicare; Legal Aid of the Bluegrass (KY); Legal Aid of Arkansas; Legal Services of North West Minnesota; Southern Arizona Legal Aid; DNA-Peoples Legal Services (AZ); Southern Mississippi Legal Services; Legal Aid of North West Texas; Rhode Island Legal Services; Idaho Legal Aid; Appalachian Research and Defense Fund of Kentucky; Inland Counties Legal Services (CA); and Legal Aid of Orange County (CA).

When OPP examines program quality, it reviews program operations in areas that include the establishment of priorities, intake systems, legal work management and supervision, governance, Private Attorney Involvement, resource development, and strategic planning, in order to evaluate comprehensively the efficiency and effectiveness of programs. Post-reconfiguration on-site reviews, which typically occur two years following the reconfiguration of a service area, involve an assessment of the grantee's progress in creating an efficient and effective integrated program that strives to provide high quality legal assistance. Following an OPP visit, it is customary for LSC staff to prepare and send a report to the program detailing its findings and recommendations.

During the reporting period, LSC launched a new protocol for LSC program visits to more effectively coordinate the work of OPP and the Office of Compliance and Enforcement ("OCE"). LSC staff from OPP and OCE developed a new visit protocol that includes an on-site examination of program quality, case management reporting and case management system issues. The purposes of the new visit protocol are 1) to minimize the number of visits to LSC grantees through a more efficient process, and 2) to identify and incorporate new areas of inquiry that represent indicia of quality in legal services delivery. Some of the quality standards that were identified and examined during the visits included streamlined and effective case management systems; competent and motivated staff; peer review; successful local and state resource development; consistently strong client outcomes; and a high degree of client satisfaction. Other quality standards under examination included effective leadership; client involvement; workforce diversity; client accessibility; strategic use of scarce resources to meet the most critical needs of the client community; effective use of technology; ongoing training; and continued self-examination. The new protocol was piloted during LSC's visit to Legal Services of North West Minnesota in July.

In addition, in order to facilitate the development of the quality agenda, LSC convened the first of what will be several conversations with legal services community leaders in August of 2004. The conversation provided useful ideas on the role that LSC should play in enhancing program quality and performance.

## State Engagement

LSC continues to promote efforts by its grantees to develop comprehensive, integrated delivery systems that reach a greater number of persons, with a broader range of services. The State Justice Community Initiative requires grantees to work with other providers and stakeholders within each state, such as the courts, bar associations, law schools, and client groups, to assure that a full range of high quality legal services are available to clients regardless of their geographical location within a given state.

During this reporting period, LSC staff attended state justice community meetings in the following ten states: California; Kentucky; Maryland; Minnesota; North Carolina; Pennsylvania; South Dakota; Tennessee; Texas; and Virginia.

In 2002, LSC initiated the development of an evaluation instrument designed to gauge the success of its grantees' State Planning efforts. The instrument sets forth the criteria and measures that LSC may use to evaluate the effectiveness of the civil legal services delivery system within each state. Evaluations also establish benchmarks against which further progress can be measured, and they allow LSC to gather data to compare state delivery systems. During this reporting period, LSC conducted an evaluation of the Maine state justice community.

## Technology Efforts

A major component of LSC's technology efforts is the administration of the Technology Initiative Grants program ("TIG"), and the awarding of grants under this program. The TIG program promotes the use of technology to help grantees provide assistance to low income persons who would otherwise not receive legal assistance. This is accomplished by means of technologically enhanced *pro se* and community legal education efforts and by enhancing programs' and state justice systems' technology infrastructures to allow centralized telephone intake and delivery systems.

### *New Grants*

During the reporting period, LSC staff received and reviewed TIG applications for the 2004 funding cycle. After careful review of all applications, LSC awarded more than fifty TIG grants. The grants are for infrastructure, intake systems, training and technical assistance, *pro se* technology efforts and website development.

The following are brief summaries of grants awarded during the reporting period, which have significant potential for expanding assistance to the poor.

- *Legal Services of Northern Michigan*: This project, which is also supported by the Michigan State Bar Foundation, will allow low income users of the funded website to ask questions of *pro bono* attorneys anonymously. Indigent persons may also use the system to request representation from local legal services programs.

- *Massachusetts Justice Project:* This grant expands the Interactive Community Assistance Network (“I-CAN”) system into the housing courts of Massachusetts. Currently 90% of tenants in Massachusetts housing courts have no legal assistance. The goal of the Massachusetts Justice Project (“MJP”) is to provide families facing eviction with litigation support and real time hotline advice that enables them to effectively represent themselves. The courthouse work stations created by this project will allow many low-income clients to complete required court filings, including answers to eviction pleadings, by using a touch-screen program offering directions in English or Spanish. Litigants will also be able to access real-time video and telephone support from MJP’s experienced advocates.
- *Montana Legal Services:* This grant funds a “Live Help” feature on Montana’s statewide legal aid website ([www.montanalawhelp.org](http://www.montanalawhelp.org)). The site exists to help *pro se* litigants find legal information and complete court forms online when they cannot secure legal representation. The “Live Help” feature will allow users to initiate an online or telephone conversation with a “virtual volunteer” – an attorney, paralegal, bar employee, or law student who can help clients use the internet to effectively represent themselves in civil proceedings in court. Nearly every state has a statewide legal services website, but Montana will become the first state to offer “virtual legal assistance” as a result of this grant.
- *Idaho Legal Aid Services:* This TIG grant will enable Idaho Legal Aid Services advocates to work with the state judiciary and other partners to automate more than 300 court-approved forms to assist *pro se* litigants who cannot afford legal counsel. Tens of thousands of low-income Idahoans who were previously unable to file complaints or answers will be able to have their day in court as a result of the online system created by this grant. The automated system will require no legal expertise. It will ask users simple questions in English or Spanish and then produce properly formatted court forms that can be filed in a local Idaho court.

#### *Progress on Prior TIG Grants*

The following is an update on a TIG project which LSC has previously discussed in its Semiannual Reports to Congress:

- The multimedia project undertaken by Land of Lincoln Legal Assistance Foundation (IL) is near completion. Two 2004 TIG projects will add tools developed by the Illinois Technology Center to the statewide website templates, so that multi-media content can be more easily delivered to users. For example, presentations at *pro se* clinics may be recorded with a low cost camcorder, and then made available in streaming video over the statewide website for other low-income persons in need of legal assistance. This holds great promise for assisting many low-income persons, and in particular for making more content available to those who are visually impaired or for whom English is a second language. For example, DNA – Peoples Legal Services in Arizona, the program serving the

Hopi and Navajo Indian Reservations, will use this same technology to deliver legal information through their website to people who live on the reservations.

### *Evaluation, Training & Other TIG Staff Activities*

In addition to implementing the 2004 competition process and overseeing the existing grants, LSC TIG staff have continued to work on evaluation of their grants, participated in training events, and further refined the TIG management system.

LSC places significant emphasis on the evaluation of TIG grants because many TIG grants are innovative, and by definition, untested. LSC's evaluation system for the client, advocate and *pro bono* websites is fully operational, and includes evaluation instruments and an online reporting system. In developing these systems, LSC built on the work accomplished through the TIG-funded Technology Evaluation Project, which incorporated significant input from TIG grantees and others. LSC is now refining databases to compile and analyze the evaluation results and to produce reports summarizing and profiling key findings. The evaluation systems can be reviewed at: [http://www.lri.lsc.gov/sitepages/tech/tech\\_eval\\_tig.htm](http://www.lri.lsc.gov/sitepages/tech/tech_eval_tig.htm).

In the 2003 grant cycle, LSC funded a "circuit rider" to provide evaluation assistance to 2002 and 2003 grantees operating infrastructure, intake and *pro se* projects. This project provides online trainings, resource materials and telephone and online assistance to all grantees, and it ensures that intensive assistance is provided to grantees that need it. During the reporting period, TIG staff continued to provide evaluation assistance directly to the grantees operating the 10 projects funded in 2002 and 2003 that are not website grants and that are not included in the services provided by the evaluation circuit rider. TIG staff also provided evaluation assistance to 2001 grantees that have not yet completed their evaluation requirements.

LSC TIG staff continue to provide training to legal services providers and made the following presentations at the Equal Justice Conference in Atlanta, Georgia in April 2004: LSC staff co-presented the TIG Affinity Session; they presented a session entitled "Fear and Loathing in Cyberspace: Overcoming Technophobia in Your Staff"; and they presented a session entitled "Technology Tips and Tools, 50 Ways to Work Better, Faster and Cheaper."

During the reporting period, TIG staff worked on streamlining the grant application and management processes. In the first half of fiscal year 2004, TIG staff implemented a new full service grants management package. They are also working to connect the flow of data from online systems to the grants management package.

TIG grants are building a structure that permits income-eligible clients to get advice and brief services through centralized intake systems, and legal education materials through websites. These grants also enable LSC-funded programs to benefit from the productivity that results from technologically-sophisticated infrastructures. By carefully monitoring the TIG grants and overseeing project evaluations, LSC is assessing

the extent to which technological approaches can increase the quantity and quality of services provided to clients.

## **Loan Repayment Assistance Program**

The burden of law school debt, which can average as much as \$80,000, often prevents recent graduates from entering or remaining in a career in legal services, where the starting salary nationally is around \$33,000 a year.

In an effort to determine how LSC can best help its grantees address the difficulties of recruiting and retaining staff attorneys that have substantial law school debt, LSC President Helaine Barnett appointed an LSC Task Force on Loan Repayment Assistance Program (“LRAP”). A small group of individuals who have extensive experience and knowledge with LRAPs, including representatives from the American Bar Association, the National Legal Aid and Defender Association, Equal Justice Works, LSC grantees, law school representatives, state bar leaders and Interest on Lawyers’ Trust Accounts (“IOLTA”) directors, agreed to serve on the Task Force and met in Washington D.C. in August of 2004. The Task Force will help LSC design an LRAP Pilot Program that will be particularly helpful to LSC grantees with the recruitment and retention of attorneys in their programs who are in need of loan repayment assistance. The Task Force will also help to establish the most effective way to collect and analyze the data necessary to determine the Pilot Program’s effectiveness in the recruitment and retention of local, LSC-funded program staff. Assuming funding, LSC plans to have the Pilot Project underway in 2005.

LSC is hopeful that the FY2005 appropriations bill recently passed by the House of Representatives, which includes language permitting the Corporation to implement an LSC Pilot LRAP, will be enacted. LSC is grateful to the Chairman of the House Commerce-Justice-State subcommittee, Frank Wolf, who has led the effort on this important project. LSC also appreciates the assistance of Congressmen Serrano and Obey, who have provided significant support for this endeavor. The Pilot LRAP will not be possible without Congressional approval to use the funds for this project. LSC greatly appreciates the OIG’s support in this regard. LSC looks forward to making it possible for young lawyers who want to work in legal services programs to do so through LRAP assistance.

## **Mentoring Project**

At the June 2004 meeting of LSC’s Board of Directors, a presentation was made by LSC’s Advisory Council on Leadership and Diversity to establish a pilot program to nurture and develop new leaders in the legal services community throughout the country. The Board directed LSC staff to develop further a mentoring pilot project. The goals of the program will include cultivating, training and encouraging a core of future leaders in the legal services community, with an emphasis on diversity, inclusiveness, and the acquisition of meaningful leadership skills. Among other responsibilities, LSC staff working on this project will identify a diverse group of candidates to participate in this

effort, and design and implement a program of leaning and development that will result in a diverse group of skilled, future leaders.

## **Intake**

During the reporting period, LSC increased its efforts to promote the use of telephone intake, advice and referral systems by grantees. These delivery systems maximize client access and high quality legal services. They help to coordinate program operations and management, simplify application procedures, expedite responses, and allow staff to concentrate on legal problems requiring more extensive representation.

LSC's Office of Program Performance Intake Focus Team assists grantees and LSC staff with the implementation and management of telephone delivery systems. The team assists with all stages of the development of such systems. This assistance frequently includes responding to questions about staffing, office location, telephone and computer technologies, program-wide coordination, and collaboration with community partners. In addition to helping establish new intake systems, the Intake Focus Team assists grantees in improving existing telephone intake systems. During this reporting period, the Team provided technical assistance to programs in California; Connecticut; Montana; New York; and Wisconsin.

## **LSC Resource Initiative**

LSC continues to promote high quality legal assistance through the cross-fertilization of good ideas and practices in the legal services community. To further this goal, the Office of Program Performance ("OPP") oversees the LSC Resource Initiative ("LRI"), a project that has successfully gathered information about innovative legal services management approaches and delivery techniques since its inception in June 2001. The website that supports this initiative -- the LSC Resource Library -- has been online since October 2002, and can be viewed at <http://www.lri.lsc.gov>.

Some of the topics featured on the website include technology, diversity, intake, and management practices. Noteworthy practices of many LSC grantees are featured on the LSC Resource Library website. To avoid duplication, the website links to several other websites and existing sources of information. The website also includes announcements and training opportunities available to the legal services community. LRI staff members continuously add content to the website and look for ways to make improvements to the Library. Staff members distribute an LRI newsletter that shares content from the website and seeks suggestions and submissions.

In June 2004, OPP completed an evaluation of LRI. An electronic survey was developed to ensure that LRI is addressing the needs of its website users. The survey was distributed to LSC staff, Executive Directors of LSC programs, and field experts with specific knowledge about various aspects of the website. Of those who responded to the survey, 87% indicated that the LRI has helped to support and improve their work. The

survey also produced suggestions to increase the content provided on the LSC Resource Library.

## **Implementation of 2000 Census and the Harkin-Smith Amendment**

LSC's appropriation act requires that it distribute funds for each geographic area on a per capita basis relative to the number of individuals in poverty determined by the Bureau of the Census to be within a given geographic area. The Bureau of Census released the 2000 Census poverty population data in the summer of 2002.

Full implementation of the new Census numbers would have caused approximately half of LSC grantees to lose funding, while the other half would have gained. Under the Harkin-Smith Amendment, LSC received an additional \$9.5 million for FY 2003, to mitigate somewhat the Census-related losses to grantees. These funds were projected to reduce the losses by approximately half. As a result of a 0.65% across-the-board rescission included in the final FY 2003 appropriation, however, the actual funding restored was somewhat less than 50%.

For FY 2004, the House proposed to resume the allocation of Basic Field-General funding based solely on the Census poverty population, while the Senate version included nearly the same funding, but continued to allocate a sum to mitigate the funding reductions for programs that lost poverty populations in the last decade. The final version of LSC's FY 2004 appropriation provided \$2.5 million to be "equitably distributed to the ten states most negatively affected by recent census-based reallocations." After careful consideration of the issues and consultation with appropriate members of Congress, LSC distributed the funds among the states that had the largest loss of actual dollars. Applying this standard, LSC allocated the additional \$2.5 million to the following states: Illinois; Iowa; Kentucky; Louisiana; Michigan; Minnesota; Mississippi; Ohio; Puerto Rico; and Wisconsin.

For FY 2005, the LSC budget request proposes that funding be distributed solely on the basis of the 2000 Census poverty population, with no adjustment based on prior year funding numbers. The House appropriations bill provides solely for Census-based funding, but the Senate bill again includes a provision for \$2,849,000 for continuation of the Harkin-Smith funding for Census adjustments. It is unclear as to when the differences in the two bills will be reconciled.

## **Evaluation**

As noted above in the sections on Competition, Program Visits and Technology, many of LSC's efforts are focused on evaluating the effectiveness of its grantees. Most of LSC's evaluations are based on defined standards and entail measuring the extent to which programs and projects meet either external standards or internal goals. In the last eighteen months, LSC has attempted to add the measurement of 'outcomes for clients' to its range of evaluation tools.

In keeping with these efforts, LSC sponsored “Outcomes Summit II,” a conference held in Cincinnati, Ohio from June 24 - 26, 2004. The conference convened practitioners from LSC-funded programs who have designed and are implementing outcomes measurement efforts. In her opening remarks at the conference, LSC President Helaine Barnett asked the participants for guidance on ways to measure performance and outcomes in furtherance of LSC’s focus on quality. The participants gave many helpful suggestions of ways to obtain useful information and to train and assist programs to measure the achievement of their goals. Among other suggestions, they encouraged the collection of client success stories as a way to disseminate information on successful results. LSC will soon issue a report on the conference and formulate its future plans with regard to this effort.

## **Matters**

The Matters Service Reports (“MSR”) track the significant “non-case” services provided by grantees (e.g., community legal education, referrals, self help clinics, and *pro se* information), through which grantees do not provide legal representation, but nevertheless provide valuable services to the indigent community. Until the initiation of the MSR, there was no reporting of such services to LSC. The MSR augments the Case Service Reports (“CSR”) system that has been used to measure and report the number and types of cases closed by LSC grantees each year.

The online MSR reporting system has continued to function smoothly, and in March 2004, LSC received calendar year 2003 MSR’s from grantees with no major problems. LSC received a total of 155 reports including information from all current grantees. Based on its experience with the receipt of these reports in 2004, LSC has made minor adjustments to the Matters reporting system for the 2004 data to be received in March 2005. Additionally, in capturing data on Matters handled by grantees, LSC is separating the internet-based Matters from other types of Matters, as the internet-based Matters are harder to quantify where screening methods can only measure visits to a website and do not exclude multiple visits by the same person.

## **Diversity, Inclusion and Multi-Cultural Competency**

During this reporting period, LSC continued to support grantees and the broader legal services delivery system by promoting the importance of diversity. Relying on its training module, “Leadership and Diversity: The Link That Promotes Effective Delivery of Legal Services,” LSC continued to provide experienced facilitators for diversity training sessions with its grantees. During the reporting period, LSC provided this form of assistance to two grantee Boards of Directors. Shortly after the reporting period, LSC also provided a day-long diversity training at the Midwest Legal Administrators’ Conference.

During the reporting period, LSC refined its guidance for grantees on the provision of legal services to individuals with limited English proficiency. An increasing number of clients throughout the country do not speak or read English well, if at all.

LSC's grant assurances require that grantees examine and devise delivery strategies and procedures to overcome the access barrier of limited English proficiency. A program letter instructing grantees and guidelines to help grantees meet these challenges will be issued before the end of the year.

## **Civil Asset Forfeiture Reform Act**

During the year 2000, President Clinton signed into law the Civil Asset Forfeiture Reform Act ("CAFRA"), Pub. L. 106-185, 114 Stat. 202. Among other things, CAFRA provides that indigent persons whose homes are subject to civil forfeiture shall be entitled to be "represented by an attorney for the Legal Services Corporation." Although the CAFRA provision involving LSC became effective in 2000, LSC only received one request from court personnel for representation in a relevant case prior to 2003. During the reporting period, however, LSC received several additional requests for representation for cases in California and Wisconsin. LSC has responded to each such request by evaluating if statutory counsel is appropriate, and if so, obtaining skilled counsel from the appropriate jurisdiction for each eligible client.

## **Rulemaking Activities**

During this reporting period, LSC resumed consideration of the open rulemaking on its regulation on financial eligibility, appearing at 45 CFR Part 1611. Action on the rulemaking had been deferred pending the appointment and confirmation of a number of new members of the LSC Board of Directors and the appointment of a new LSC President. LSC anticipates issuing a new proposed revision to the Part 1611 regulation during the next reporting period.

## **Work of the Office of Compliance and Enforcement**

LSC's Office of Compliance and Enforcement ("OCE") is charged with a number of functions which ensure that recipients are in compliance with the LSC Act and Regulations. These obligations currently include complaint investigations, prior approvals of some expenditures of LSC funds by grantees and activities by grantees, on-site visits to examine compliance with regulations, and the provision of technical assistance and training to recipients.

### *On Site Visits*

From April 1, 2004, to September 30, 2004, OCE made visits to the following programs for the purpose of assessing Case Service Reporting ("CSR") and Case Management Systems ("CMS"): DNA -- Peoples Legal Services (AZ); Southeast Louisiana Legal Services Corporation; Pine Tree Legal Assistance (ME); New Mexico Legal Aid; Legal Aid of Northwest Texas; Prairie State Legal Services (IL); Wisconsin Judicare, Inc.; and the Legal Aid Society of Hawaii. After making CSR/CSM visits to programs, OCE sends reports of its findings to the programs. Two such reports were issued during the reporting period, and the remainder are being completed. During the

reporting period, OCE also visited Legal Services of Delaware to follow-up on a previous CSR/CMS visit.

OCE provided accountability training on CSR and LSC regulations to the following programs during the reporting period: DNA -- Peoples Legal Services (AZ); Potomac Legal Aid Society (VA); Legal Aid Society of San Diego, Legal Aid Society of Orange County, Inland Counties Legal Services, and Legal Aid Foundation of Los Angeles; and Neighborhood Legal Services Program of the District of Columbia.

OCE provided training on compliance with LSC regulations to new Executive Directors at the Legal Aid Society of San Diego, Legal Aid Society of Orange County, Inland Counties Legal Services, and Legal Aid Foundation of Los Angeles during the reporting period.

In response to complaints received, OCE made visits to two programs during the reporting period. The first visit was to Legal Aid of the Bluegrass (KY). No violation was found, and the investigation was closed in October 2004. The second complaint-related visit was made to the South Carolina Centers for Equal Justice, to follow up on the findings of a prior complaint investigation. A final letter was issued to the program advising that the majority of the identified corrective actions have been completed.

During the reporting period, OCE also made a visit to Legal Services of Northwest Minnesota to conduct a quality review of casework and systems in conjunction with LSC's Office of Program Performance ("OPP"). A Draft Report is being prepared to send to the program.

#### *A-50 Follow-Up*

During the reporting period, twenty findings were referred for A-50 follow-up. Management has reviewed and closed all but one referred finding. The outstanding referral, involving Wyoming Legal Services' policies implementing LSC regulations, is pending as LSC awaits a response to its request to the program for certification of corrective action taken.

#### *Prior Approval Under 45 CFR Part 1630*

During the reporting period, OCE approved nine requests totaling approximately \$355,888 to lease or purchase personal/non-expendable property; one request totaling \$47,000 to renovate real property; and three requests totaling \$2,470,000 to purchase real property pursuant to 45 CFR Part 1630.

#### *Private Attorney Involvement Under 45 CFR. Part 1614*

LSC's Private Attorney Involvement ("PAI") regulation, 45 CFR Part 1614, requires that all recipients devote an amount equal to at least 12.5% of their respective Basic Field Grants to involve private attorneys in the delivery of legal assistance to

eligible clients. A provision of this regulation, 45 CFR § 1614.6, allows recipients to request either a partial or complete waiver of this requirement in circumstances in which they have been unable to meet the obligation during a given year. If a recipient's circumstances warrant a waiver, OCE will either waive the requirement and adjust the requirement for that year by the amount of the shortfall, or increase the next year's requirement by the amount of the shortfall. During the reporting period, OCE granted two full waivers and one partial waiver pursuant to 45 CFR § 1614.6. In addition, four waiver requests were denied due to the untimely submission of the requests. The requested waiver amounts will be added to the programs' 2004 PAI requirements.

All follow-up on PAI compliance is conducted during the review of the recipient's audit report for the following grant year, and if necessary, the PAI program is reviewed as part of the CSR/CMS review.

#### *Subgrants Under 45 CFR Part 1627*

Pursuant to 45 CFR § 1627.1, a recipient may subgrant a portion of its LSC funding to another entity to conduct certain activities related to the recipient's programmatic activities. Such activities include those that would otherwise be undertaken by the recipient itself, such as representation of eligible clients, or activities that provide direct support to a recipient's legal assistance activities, such as a PAI component.

OCE approved seventeen recipient subgrants during the noted time period.

#### *Fund Balances Under 45 CFR Part 1628*

LSC recipients whose annual audits report fund balances in excess of 10% of their total LSC annualized support, are required to request a waiver from LSC pursuant to 45 CFR § 1628.4, in order to carry over the excess balance to the following year. Recipients may request a waiver to retain fund balances in excess of 25% percent of LSC support only for extraordinary and compelling reasons. In the absence of a waiver, LSC is required to recover the excess fund balance pursuant to 45 CFR §1628.3.

During the reporting period, OCE granted twelve fund balance waiver requests totaling \$677,357.

When OCE grants a fund balance waiver, it informs the relevant program that the excess fund balance should be reported separately in the recipient's next audit, either as a separate fund or by a supplemental schedule in the audit report. The separate reporting is by line item to show exactly how the excess fund balance was spent. OCE ensures that the excess fund balance is reported appropriately through its review of the recipient's annual audit.

### *Complaint Investigations*

OCE is responsible for the review, investigation and disposition of complaints filed by members of the public (e.g., applicants, clients, local recipients, staff and Board members, opposing counsel/parties, taxpayers, etc.) related to the activities of LSC recipients. During the reporting period, forty-seven such complaints were closed. The majority of the complaints closed during the reporting period involved denial of services (i.e., complaints from applicants who were financially ineligible, outside of program priorities, or requesting assistance with fee-generating cases or other cases prohibited by Congressional restrictions).

### *Audit Reports*

The fiscal year cycle adhered to by LSC grantees differs from program to program. While the majority of grantees operate on the fiscal year cycle that ends on December 31st of each year, others adhere to cycles that end on January 31st, March 31st, May 31st, June 30th, or September 30th respectively. LSC grantees must submit their audit reports (including audited financial statements) to LSC's OIG within 120 days of the end of their respective fiscal years.

The OIG ensures that all grantees submit their audit reports to LSC in a timely fashion. OCE then reviews the audited financial statements for compliance with the Accounting Guide for LSC Recipients (issued in August 1997) and LSC financial-related regulations (i.e., 45 CFR Parts 1610, 1614, 1627, 1628, 1630, 1631, and 1642).

After the OIG reviews and processes grantees' audit reports in its audit tracking system ("AIMS"), a copy of each grantee's audit report is sent to OCE. During the reporting period, OCE reviewed fifty-seven audit reports forwarded to it by the OIG.

## **LSC's Comments on Portions of OIG's Semiannual Report to Congress**

### *Program Integrity Audit of California Rural Legal Assistance*

On page 2 of its *Semiannual Report to Congress April 1, 2004 – September 30, 2004*, LSC's Office of Inspector General ("OIG") discussed an audit report that it issued to California Rural Legal Assistance ("CRLA") during the previous reporting period (i.e., October 1, 2003 – March 30, 2004). As noted in its report for this period, the OIG recently closed the audit and accepted CRLA's corrective action plan. The OIG has referred to LSC management a request for clarification and additional guidance for grantees regarding issues that arose during the audit involving the program integrity regulation found at 45 CFR 1610, and the client identity and statement of facts regulation found at 45 CFR 1636. LSC has worked cooperatively with the OIG to provide guidance on program integrity that is in keeping with the Congressional intent underlying the program integrity restrictions. LSC will continue to work cooperatively with the OIG to develop additional guidance, if it is deemed appropriate, that ensures that grantees maintain objective integrity and independence from organizations engaged in restricted

activities, without unduly hampering the ability of grantees to provide legal services to the poor in keeping with LSC regulations. In developing such additional guidance, LSC will ensure that all direction to grantees complies with the Supreme Court decision in the case of *Legal Services Corporation v. Velazquez*, 531 U.S. 533 (2001).

*The OIG Mapping Project*

On pages 6 through 11 of its report for this period, the OIG discusses its evaluation of legal services mapping to promote efficiency and effectiveness in the activities and operations of LSC and its grantees. On page 11 of the report, the OIG notes that by the end of the next reporting period, it plans to complete a second phase summary report and transfer the project to LSC Management, with a recommendation that LSC further develop legal services mapping for program performance evaluation and provide wider availability of mapping to its grantees. LSC management has been supportive of the initial OIG mapping project that was designed to provide programs with mapping tools to better evaluate their program performance in the context of their program goals and priorities. LSC is aware of the potential opportunities for improved effectiveness through the use of mapping technologies and will carefully study the OIG's forthcoming report and recommendations.

**TABLE 1**  
**Management Report on**  
**Office of Inspector General Audit Reports of Grantees**  
**Issued With Questioned Costs**  
**For the Six Month Period**  
**Ending September 30, 2004**

	Number of Reports	Disallowed Costs
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise.	0	\$0
(ii) Dollar value of disallowed costs that were written by management.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance	0	\$0

**TABLE 2**

**Management Report on Audit Reports Issued During  
The Six Month Period Ending September 30, 2004,  
With Recommendations That Funds Be Put to Better Use By Management  
Agreed to in a Management Decision**

	Number of Reports	Dollar Value
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of recommendations that were actually completed.	0	\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance.	0	\$0